



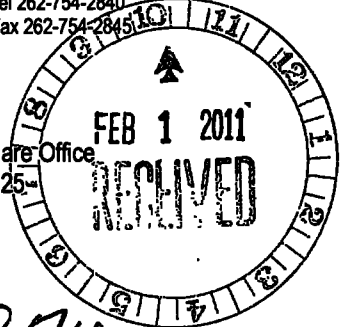
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228743

January 28, 2011

ENTERED
Office of Proceedings

FEB - 1 2011

Part of
Public Record

Surface Transportation Board
Attn: Docket No. EP 704
395 E Street, S.W.
Washington, DC 20423-0001

Re: Notice of Intent to Participate at Oral Hearing February 24, 2011
Review of Commodity, Boxcar and TOFC/COFC Exemptions, No. EP 704

Greetings:

Enclosed for filing are the original and ten (10) copies of the "The Blue Line Community Coalition Verified Statement".

A duplicate of this letter and return mail envelope, postage prepaid, is enclosed for your stamped verification of receipt.

Sincerely,

DEWITT ROSS & STEVENS^{SC}

Ronald W. Kuehn

RWK:mb
Enclosures

228743



**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**REVIEW OF COMMODITY, BOXCAR
AND TOFC/COFC EXEMPTIONS**

STB Docket No. EP 704

ENTERED
Office of Proceedings

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Public Record

**VERIFIED STATEMENT
On Behalf of**

THE BLUE LINE COMMUNITY COALITION

Ronald W. Kuehn
Attorney for
The Blue Line Community Coalition

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Dated: January 28, 2011
Due: January 31, 2011

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BEFORE THE
SURFACE TRANSPORTATION BOARD

**REVIEW OF COMMODITY, BOXCAR
AND TOFC/COFC EXEMPTIONS**

STB Docket No. EP 704

THE BLUE LINE COALITION

**Verified Statement of
Dean Zuleger, Executive Vice President
Blue Line Community Coalition**

IDENTIFICATION

Witness Dean Zuleger is the Administrator of the Village of Weston, Wisconsin, and the Executive Vice President of The Blue Line Community Coalition.

Dean Zuleger is the Administrator of the Village of Weston, Wisconsin, and the Executive Vice President of The Blue Line Community Coalition. Weston is a community of 600 located in central Wisconsin, 3 miles south of Wausau, Wisconsin, on a rail line of the former Wisconsin Central System ("WC System"), now controlled by the Canadian National Railway Company ("Canadian National" or "CN").

The Blue Line Community Coalition.¹

¹ The official map of rail lines issued by the State of Wisconsin Department of Transportation, January 2010, designates rail lines of the former Wisconsin Central

The Blue Line Community Coalition is a municipal advocacy organization representing communities located on or formerly provided rail service by the WC System, and Wisconsin communities on CN's main line from Superior, WI to the Wisconsin/Illinois border (Chicago, IL).

SCOPE AND FOCUS OF THIS STATEMENT

The Blue Line Community Coalition's view on whether or not the Board ought to review the Exemptions is drawn from the perspective of the demise of the quality of rail service and competitiveness in our "Wisconsin Central" communities (those served until 2001 by an independent Wisconsin Central System but for the last ten years under control of Canadian National) since the acquisition of the WC System by CN about a decade ago. These concerns have been exacerbated in recent years with the expansion of long distance rail traffic originating from Prince Rupert British Columbia, Canada.

The core question: Why, under the Exemptions, has market competition alone failed to provide sufficient incentives for Canadian National to compete as effectively as Wisconsin Central System did for

System, now CN controlled, in the color blue, hence, The Blue Line Community Coalition.

local freight traffic originating and/or terminating on WC lines serving the communities of The Blue Line Community Coalition?

STATEMENT

The Blue Line Community Coalition Shares the Concerns and Supports the Goal of Freight Rail Shippers Seeking Restoration of Wisconsin Central Level Competition and Service.

The Blue Line Community Coalition supports the goal of Wisconsin Central Group (www.centralcorridors.com/wcg) (“WCG”) to persuade Canadian National or otherwise assure:

- Restoration of Wisconsin Central System (“WC System”) level service and competition for market share for traffic that originates and/or terminates on lines of the former WC System; and
- For CN's main line between Superior, WI and Chicago, IL, development of a transparent plan, executed in due course, to mitigate the impact of increasing Prince Rupert, British Columbia, Canada traffic and to provide ample capacity for serving current and increasing future local traffic that originates and/or terminates on lines of the former WC System.

Canadian National Has Not Lived Up to Its Representations.

WC System maintained, before its acquisition by CN a decade ago, a reputation of aggressively competing for market share for freight

origination and/or terminating in or near communities of The Blue Line Coalition and was successful in increasing density of traffic originating and/or terminating on its lines, including lighter density feeder lines throughout its region. Canadian National represented that it would provide service as good as or better than the WC System and preserve the “local characteristics” of the WC System,² the most notable of which was WC System’s commitment to going toe-to-toe with trucking for freight moving to, from and within the region of the communities of the Blue Line Community Coalition.

These representations were imposed as conditions for CN’s control of WC System.³ We know of no federal public sector enforcement of the conditions imposed in Finance Docket 34000, on Canadian National's control of Wisconsin Central System.

The Blue Line Community Coalition Endorses the Statement by, and Action Requested by the Wisconsin Central Group in this Docket.

The Wisconsin Central Group has separately filed comments herein. The Blue Line Community Coalition adopts and endorses the Statement of Wisconsin Central Group in this Docket.

² Verified Statement of Paul M. Tellier, Canadian National's Chief Executive Officer, p. 2, April 6, 2001, Surface Transportation Board Finance Docket 34000, *Canadian National – Control – Wisconsin Central*.

³ *Canadian National – Control – Wisconsin Central*, Finance Docket No. 34000, Decision and Order, September 7, 2001, Item 5 of the Order, at p. 28.

Why, Under the Exemptions, Has Market Competition Alone Failed to Provide Sufficient Incentives for CN to Compete as Effectively as the WC System for Local Originating and/or Terminating Traffic?

WC System provided excellent, competitive service on traffic originating and/or terminating on its own lines. The Blue Line Community Coalition believes even a summary investigation will disclose that WC System earned its cost of capital and enjoyed strong stock prices with over nine-two percent (92%) of its traffic originating and/or terminating on its own lines. In 2001, Canadian National represented that it would preserve the local characteristics of the WC System and provide service on WC Systems lighter density lines serving most of the Wisconsin Central communities, as good or better than that provided by WC System.

Would a full or partial revocation of the Exemptions cause Canadian National to be more likely to have been held accountable for its representations and domestic manufacturing and jobs in Wisconsin Central communities better withstood foreign competition and recession?

Does CN Have Other Incentives to Suppress WC System Traffic and, If so, Is Partial Revocation of the Exemptions an Effective and Pro-Competitive Means of Eliminating Those Incentives?

Traffic moving via the Port of Prince Rupert, British Columbia, Canada has already significantly increased international traffic on the Superior-Chicago mainline. The build-out of Prince Rupert capacity by

2015 will dramatically increase this traffic to the further detriment of traffic on the former WC System.

Local shippers and the Blue Line Community Coalition believe Canadian National has consistently acted to reserve the available capacity on its Superior-Chicago mainline for its' international traffic by neglecting to compete for and, apparently, outright suppressing domestic traffic originating and/or terminating on former WC System lines. Do the economic incentives of high volume, long-haul, international traffic trump the economics of retail railroading, shorter-haul (at least on CN) domestic traffic which was the bread-and-butter business of the former WC System?

The revenue from international traffic that would seem incentive enough to explain Canadian National's failure and refusal to compete for market share on former WC System lines. However, for the last several years, CN has also had another incentive – the problem of dealing with EJ&E mitigation and oversight. Much of the traffic originating and/or terminating on the former WC System lines transits the Chicago gateway and can only add to CN's burden to comply with mitigation and oversight, such as street-crossing blockages in the communities along the EJ&E line.

CONCLUSION AND REQUESTED ACTION

The Blue Line Community Coalition requests that the Board: (a)
Conduct an in-depth investigation of the effectiveness of the Exemptions,


changed circumstances and implications of revocation of the Exemptions;
and (b) in particular, consider the pros and cons of limited and/or targeted
revocation of the Exemptions to address failures of competition policy and
conditions on Class I consolidations such as those illustrated by ten (10)
years of Canadian National's control of the Wisconsin Central System.

Dated this 28th day of January, 2011.

[See the next page, following, for Verification.]

Verification

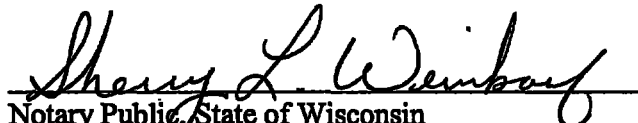
I, Dean Zuleger, Executive Vice President of The Blue Line Community Coalition, affirm and verify that I have read the foregoing Comments and know the facts stated therein to be true and correct to my own knowledge and, as to those stated upon information and belief, I reasonably believe them to be true and correct.



Dean Zuleger

STATE OF WISCONSIN)
) SS
MARATHON COUNTY)

Personally came before me this 28 day of January, 2011, the above named Dean Zuleger, personally known to me to be the person who executed the foregoing verification and acknowledged the same.



Notary Public, State of Wisconsin

My commission 5-8-2011

